

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Village of Dimondale	County Eaton
Audit Date February 29, 2004	Opinion Date April 24, 2004	Date Accountant Report Submitted to State: June 22, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on the financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan*, as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

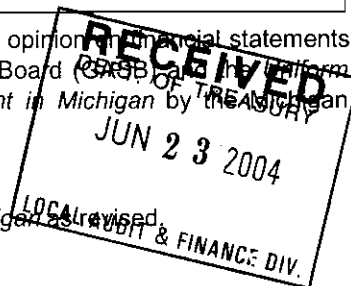
You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	x		
Reports on individual federal financial assistance programs (program audits).			x
Single Audit Reports (ASLGU).			x

Certified Public Accountant (Firm Name) Karl L. Drake, PC			
Street Address 3775 Kimmel Road	City Horton	State MI	ZIP 49246
Accountant Signature <i>Karl L. Drake CPA</i>			



VILLAGE OF DIMONDALE

Village Office:

136 N. Bridge St., P.O. Box 26
Dimondale, Michigan 48821 (517) 646-0230

Village Officers:

Michael D. Chappell, Village President

Denise M. Parisian, Village Manager

James E. Albertson, Street Administrator

Charles Cribbley, Fire Marshall

Aileen Gow, Code Enforcement Officer

Village Trustees:

Garry Horstman

Terry Rood

Garry Macak

Raymond Dutcher

Beth E. Everson

Ralph Reznick

VILLAGE OF DIMONDALE

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INDEPENDENT AUDITOR'S REPORT

Village Council
Village of Dimondale
Dimondale, Michigan 48821

We have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund, of the Village of Dimondale, as of and for the year ended February 29, 2004, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Dimondale's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with United States generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities and each major fund, of the Village of Dimondale as of February 29, 2004, and the respective changes in financial position, thereof for the year then ended in conformity with United States generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2004, on our consideration of the Village of Dimondale's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and grants.

Village Council
Village of Dimondale

The administration's discussion and analysis and budgetary comparison information on pages 3 through 8 and pages 31-34 are not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Dimondale's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.



Karl L. Drake, P.C.
Certified Public Accountant

April 21, 2004

VILLAGE OF DIMONDALE

Management's Discussion and Analysis

This section of the Village of Dimondale's annual financial report presents our discussion and analysis of the Village's financial performance during the fiscal year ended February 29, 2004. It is best read in conjunction with the Village's financial statements that follow this section.

Overview

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the Village of Dimondale financially and the two types of statements present different views of the Village. The government-wide statements reflect information about the activities of the entire Village, presenting an aggregate view and a longer-term view of the Village's overall financial status. The fund financial statements focus on individual components of Village government, reporting the Village's operations in more detail and demonstrating how services were financed in the short term.

Government-wide Statements

The Statement of Net Assets and the Statement of Activities report information about the Village as a whole using accounting methods similar to those used by private-sector companies. These statements are prepared to include all assets and liabilities, using the accrual basis of accounting. All of the year's revenues and expenses are taken into account regardless of when cash is received or paid. The two government-wide statements report the Village's net assets – the difference between assets and liabilities- as one way to measure the Village's financial health or position. Over time, increases or decreases in the Village's net assets are an indicator of whether its financial health is improving or deteriorating. To assess the overall health of the Village you need to consider additional non-financial factors such as changes in the Village's property tax base and the condition of the Village's streets.

The government-wide financial statements of the Village are divided into two categories:

- *Governmental activities* - Most of the Village's basic services are included here, such as public works, parks and general administration. Property taxes and state and federal grants finance most of these activities.
- *Business-type activities* - Operation and maintenance of the sanitary sewer system is included here. The Village charges fees to customers to cover the costs of providing this service.

Fund Financial Statements

The fund financial statements provide more detailed information about the Village's most significant funds, not the Village as a whole. The Village Council establishes funds as needed to help it control and manage money for particular purposes or to demonstrate that it is meeting legal responsibilities.

The Village currently has two types of funds:

Governmental funds - Most of the Village's basic services are included in governmental funds that focus on how money flows in and out and the balances remaining at year-end that are available for spending. Activity is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the Village that helps you determine whether there are more or fewer resources that can be spent in the near future to finance the Village's programs. We describe the relationship between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

Proprietary funds - Services for which the Village charges customers a fee are reported in proprietary funds. Proprietary fund statements provide both long and short-term financial information. The Village's enterprise fund, the Sewer Fund, is a type of proprietary fund.

The Village as a Whole

The statement of net assets presents the perspective of the Village as a whole. Table 1 provides a summary of the Village's net assets as of February 29, 2004, in thousands of dollars.

TABLE 1	Governmental Activities	Business-type Activities	Total
ASSETS			
Current and other assets	\$ 567.1	\$ 62.1	\$ 629.2
Capital Assets	2,598.6	5,639.7	8,238.4
TOTAL ASSETS	3,165.7	5,701.8	8,867.6
LIABILITIES			
Current liabilities	22.9	.7	23.6
Long-term liabilities	320.2	---	320.2
TOTAL LIABILITIES	343.1	.7	343.8
NET ASSETS			
Invested in capital assets, Net of related debt	2,594.5	5,639.7	8,234.2
Restricted	---	---	---
Unrestricted	228.1	61.4	289.6
TOTAL NET ASSETS	\$ 2,822.6	\$ 5,701.1	\$ 8,523.8

VILLAGE OF DIMONDALE

Management's Discussion and Analysis

The Village as a Whole (Continued)

Since this is the first year the Village has prepared financial statements under the new reporting model, GASB 34, a comparative analysis with the prior year is not included. In both the governmental and business-type activities, capital assets are depreciated on a straight-line basis.

In the governmental activities, \$265,000 of the long-term debt represents transportation bond proceeds and will be repaid from general property taxes as the debt service comes due. The remaining debt includes the accumulated sick time for Village employees.

The Village's combined net assets were \$8.5 million at February 29, 2004. Capital assets (net of related debt) totaling \$8.2 million compares the historical cost, less depreciation, to the long-term debt used to finance the acquisition of those assets. In both the governmental and business-type activities the Village currently has no restricted net assets. (Restricted net assets are reported separately to reflect any assets that cannot be used for daily operations due to legal constraints from debt covenants.) The \$289,000 in combined unrestricted net assets reflects the accumulated results of all past years' operations.

The following table shows the revenue and expense activity during the current fiscal year and the change in net assets (in thousands of dollars), as reported in the statement of activities.

TABLE 2	Governmental Activities	Business-type Activities	Total
REVENUE			
Program Revenue			
Charges for Services	\$ 40.6	\$ 213.2	\$ 253.8
General Revenue			
Property taxes	266.3	---	266.3
State entitlements	201.6	---	201.6
Interest earnings	14.1	.5	14.6
Other	21.3	---	21.3
TOTAL REVENUE	543.9	213.7	757.6
EXPENSES			
General Government	206.5	---	206.5
Public Safety	5.6	---	5.6
Public Works	155.6	---	155.6
Recreation	5.9	---	5.9
Interest On Long Term Debt	17.3	---	17.3
Depreciation (Unallocated)	181.3	---	181.3
Sewer	---	452.8	452.8
TOTAL EXPENSES	572.2	452.8	1,025.0
CHANGE IN NET ASSETS	\$ -28.3	\$ -239.1	\$ -267.4

Governmental Activities

The governmental activities experienced a decrease in net assets of \$28,300. The primary reasons for this decline are depreciation (\$181,000) expense and the capital investment in road work. Approximately \$220,000 was invested in the reconstruction of E. Jefferson Street and design engineering for the Bridge Street bridge repair. The deficit in net assets was offset by a tax increase of nearly 40% adopted with the 2003-04 Budget for the purpose of funding capital improvements. The statewide economic slowdown continues to negatively impact revenues with further cuts in revenue sharing and persistent low interest rates.

In response to these economic conditions, the Village's management has taken several steps to control expenditures:

- Five-year projections are calculated annually, based on the current year's budget, to provide a forecasting tool.
- The Capital Improvement Plan has been adjusted to slow the pace of improvements.
- Employee wage increases have been limited to three percent overall and benefits are undergoing a thorough review as health care costs continue to incur double digit increases.
- Budgets in all departments are being monitored closely.

Business-type Activities

The Village's business-type activity consists of the Sewer Fund. This fund experienced a decrease in net assets of \$239,000 that can be attributed primarily to depreciation expense (\$243,000) and a change in the threshold for capital asset reporting. Usage fee revenues are growing slowly at the current rate as a result of new connections on the system. Increases also resulted from additional activity by Ball Septic and ACE Rentals both of which receive contracted treatment services. However, the additional revenue has not outpaced increases in expenses especially in the area of employee benefits. We have purchased a software program for the purpose of performing a comprehensive rate study for the facility as we weigh the potential for growth against an increase in rates. This information will also assist in the development of a long-range plan for the facility.

The Village's Funds

Our analysis of the Village's major funds follows the government-wide financial statements. As noted earlier, the Village creates funds to help manage money for specific purposes and to demonstrate accountability for certain activities. The Village's major governmental funds are the General Fund, the Major Street Fund, and the Local Street Fund.

VILLAGE OF DIMONDALE

Management's Discussion and Analysis

The Village's Funds (Continued)

The General Fund pays for most of the Village's governmental services and supports capital improvements in the street funds. The General Fund is supported mainly by property taxes and state shared revenue, while the street funds are financed by the state gas and weight tax and transfers from the General Fund. As we completed the year, the governmental funds reported a combined fund balance of \$555,000 which is a decrease of \$106,000 from the previous year. The principal reason for this deficit can be attributed to the investment in infrastructure for the Jefferson Street (Phase 1) project, as discussed in the analysis of governmental activities above.

General Fund Budgetary Highlights

Over the course of the year, the Village amended the budget in response to changing events. The most significant adjustments were due to the following circumstances:

- A decrease in the anticipated revenue from sewer tap fees because of the delay in construction of a proposed car wash.
- A significant increase in the transfer of funds from the General Fund to the Major Street Fund for additions to the scope of the Jefferson Street project, primarily the reconstruction of a portion of Elm Street.

With these adjustments, actual expenditures were \$36,000 below final budget amounts.

Capital Asset and Debt Administration

At the end of the 2003-04 fiscal year, the Village managed capital assets valued at over \$8 million including property, buildings, roads, drains, equipment, and sewer lines. Approximately \$5 million represents investment in the wastewater treatment plant and sewer lines by Windsor Township. The most significant additions to the Village's capital assets this year include the acquisition of fifteen acres of park land valued at \$150,000 and completion of the first phase of the E. Jefferson project at a cost of approximately \$200,000.

	Capital Assets Net of Accumulated Depreciation (dollars are in thousands)					
	Governmental Activities		Business-Type Activities		Totals	
	2004	2003	2004	2003	2004	2003
Non-Depreciable Assets						
Land	\$ 191	\$ 191	\$ 55	\$ 55	\$ 246	\$ 246
Depreciable Assets						
Buildings	60	55	111	99	171	154
Improvements Other than Buildings	2,188	2,247	5,650	5,434	7,838	7,681
Furniture, Machinery, and Equipment	107	105	66	52	173	157
Total	\$ 2,546	\$ 2,598	\$ 2,882	\$ 5,640	\$ 8,428	\$ 8,238

At year-end, the Village had \$280,000 in outstanding Transportation Bonds remaining from a 2000 issuance in the amount of \$325,000. The revenue from these bonds continues to support the reconstruction of local streets. The last payment on the defeasance of the General Obligation Bond for the wastewater treatment plant expansion was made this year eliminating that indebtedness and no new debt resulted from this year's activities. Employee compensated absences account for the Village's remaining long-term debt.

Economic Factors and Next Year's Budgets and Rates

The statewide economic decline was taken into account when adopting the General Fund budget for 2004-05. Funds available for appropriation in the General Fund are \$457,000, which represents a one percent increase over last year. Additional revenue from the 2003 tax rate increase is offset by reductions in revenue sharing and continued low interest rates. Expenditures are budgeted at approximately twenty percent less than last year, most significantly because capital improvements are limited to the Bridge Street bridge repair and a minor extension of N. Bridge Street. The only new program or activity in the next budget involves the recently acquired park property and dam. The Village Council has submitted an Inland Fisheries Grant application for a project on the Grand River that includes dam removal and river restoration. The match for this grant is provided by donations and in-kind services with no expenditure anticipated from the General Fund. General Fund monies have been appropriated for the purpose of surveying the property.

As for the Village's business-type activity, a six percent increase in budgeted revenue compensates for a three percent increase in expenditures, for a basic operational budget with no planned capital improvements. A grant from the Department of Consumer and Industry Services will fund a retrofit of the lighting in the garage to energy efficient fixtures and erect a wind energy system to provide emergency power for the building. Village Office staff will complete a rate study this summer to determine if an increase is necessary to support the accumulation of funds for future capital needs. Activity is expected in anticipation of an expansion of the treatment plant in 2005. Windsor Township is nearing completion of the construction of a new sewer main on Billwood which will finish the collection system portion of the expansion project.

Contacting the Village's Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Village's finances and to demonstrate the Village's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Village Manager, 136 N. Bridge Street, Dimondale, MI 48821.

VILLAGE OF DIMONDALE

STATEMENT OF NET ASSETS

FEBRUARY 29, 2004

	Governmental Activities	Business Type Activities	Total
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 527,766	\$ 40,003	\$ 567,769
Due From Other Governmental Units	9,010	---	9,010
Accounts Receivable	19,116	10,581	29,697
Prepaid Expenditures	11,171	11,570	22,741
Total Current Assets	567,063	62,154	629,217
Non-current Assets			
Capital Assets	4,199,750	7,903,316	12,103,066
Less: Accumulated Depreciation	-1,601,088	-2,263,579	-3,864,667
Total Non-current Assets	2,598,662	5,639,737	8,238,399
TOTAL ASSETS	\$ 3,165,725	\$ 5,701,891	\$ 8,867,616
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts Payable	\$ 926	\$ 740	\$ 1,666
Accrued Interest	7,001	---	7,001
Bonds Payable, Due within One Year	15,000	---	15,000
Total Current Liabilities	22,927	740	23,667
Non-current Liabilities			
Bonds Payable	265,000	---	265,000
Compensated Absences and Severance Pay	55,180	---	55,180
Total Non-current Liabilities	320,180	---	320,180
TOTAL LIABILITIES	343,107	740	343,847
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	2,594,462	5,639,737	8,234,199
Restricted for Debt Service	---	---	---
Unrestricted	228,156	61,414	289,570
TOTAL NET ASSETS	2,822,618	5,701,151	8,523,769
TOTAL LIABILITIES AND NET ASSETS	\$ 3,165,725	\$ 5,701,891	\$ 8,867,616

STATEMENT OF ACTIVITES

YEAR ENDED FEBRUARY 29, 2004

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets		Total
		Charges For Services	Operating Grants	Governmental Activities	Business Type Activities	
	Expenses					
FUNCTIONS/PROGRAMS						
Governmental Activities						
General Government	\$ 206,467	\$ ---	\$ ---	\$ -206,467	\$ ---	\$ -206,467
Public Safety	5,638	---	---	-5,638	---	-5,638
Public Works	155,629	40,630	---	-114,999	---	-114,999
Recreational and Cultural	5,859	---	---	-5,859	---	-5,859
Interest on Long-Term Debt	17,359	---	---	-17,359	---	-17,359
Depreciation (Unallocated)	181,296	---	---	-181,296	---	-181,296
Total Governmental Activities	572,248	40,630	---	-531,618	---	-531,618
Business Type Activities						
Sewer	452,760	213,183	---	---	-239,577	-239,577
Total Activities	\$ 1,025,008	\$ 253,813	\$ ---	\$ -531,618	\$ -239,577	\$ -771,195
General Revenue						
Taxes						
Property Taxes, Levied for General Operations				\$ 266,296	\$ ---	\$ 266,296
Property Taxes, Levied for Debt Service				---	---	---
State of Michigan Aid, Unrestricted				201,605	---	201,605
Interest Earnings				14,063	514	14,577
Other				21,292	---	21,292
Total General Revenue				503,256	514	503,770
CHANGE IN NET ASSETS				-28,362	-239,063	-267,425
NET ASSETS - BEGINNING OF YEAR				2,850,980	5,940,214	8,791,194
NET ASSETS - END OF YEAR				<u>\$ 2,822,618</u>	<u>\$ 5,701,151</u>	<u>\$ 8,523,769</u>

See Accompanying Notes to Financial Statements.

VILLAGE OF DIMONDALE

BALANCE SHEET - GOVERNMENTAL FUNDS

FEBRUARY 29, 2004

	General	Major Street	Local Street	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 504,318	\$ 2,912	\$ 20,536	\$ 527,766
Accounts Receivable	19,116	---	---	19,116
Due from Other Governmental Units	---	6,716	2,294	9,010
Due from Other Funds	1,854	---	---	1,854
Prepaid Expenditures	11,171	---	---	11,171
TOTAL ASSETS	\$ 536,459	\$ 9,628	\$ 22,830	\$ 568,917
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 926	\$ ---	\$ ---	\$ 926
Due to Other Funds	---	1,272	582	1,854
Deferred Revenue	11,163	---	---	11,163
TOTAL LIABILITIES	12,089	1,272	582	13,943
FUND BALANCES				
Reserved for Debt Service	---	---	---	---
Unreserved, Designated	3,451	---	---	3,451
Unreserved and Undesignated	520,919	8,356	22,248	551,523
TOTAL FUND BALANCES	524,370	8,356	22,248	554,974
TOTAL LIABILITIES AND FUND BALANCES	\$ 536,459	\$ 9,628	\$ 22,830	\$ 568,917
TOTAL GOVERNMENTAL FUND BALANCES				\$ 554,974
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities are not financial resources, and are not reported in the funds:				
Cost of the Capital Assets is				\$ 4,199,750
Accumulated Depreciation is				<u>-1,601,088</u>
				2,598,662
Long-term Liabilities are not due and payable in the current period and are not reported in the fund:				
Bonds Payable				-280,000
Compensated absences				-55,180
Accrued interest is not included as a liability in governmental funds				-7,001
Deferred property tax revenue				<u>11,163</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES				\$ 2,822,618

See Accompanying Notes to Financial Statements.

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS**

YEAR ENDED FEBRUARY 29, 2004

	General	Major Street	Local Street	Totals
REVENUE				
Property Taxes	\$ 262,043	\$ ---	\$ ---	\$ 262,043
State Grants	114,577	64,704	22,324	201,605
Charges for Services	39,390	1,240	---	40,630
Interest	13,594	382	87	14,063
Other	21,292	---	---	21,292
TOTAL REVENUE	450,896	66,326	22,411	539,633
EXPENDITURES				
General Government	196,407		---	196,407
Public Safety	5,638	---	---	5,638
Public Works	123,689	20,231	6,310	150,230
Recreational and Cultural	5,859	---	---	5,859
Debt Service	52,700	---	---	52,700
Capital Outlay	13,282	221,937	---	235,219
TOTAL EXPENDITURES	397,575	242,168	6,310	646,053
EXCESS OF REVENUE OVER <UNDER> EXPENDITURES	53,321	-175,842	16,101	-106,420
OTHER FINANCING SOURCES <USES>				
Operating Transfers In	---	135,000	---	135,000
Operating Transfers Out	-135,000	---	---	-135,000
TOTAL OTHER FINANCING SOURCES <USES>	-135,000	135,000	---	---
NET CHANGE IN FUND BALANCES	-81,679	-40,842	16,101	-106,420
FUND BALANCES - BEGINNING OF YEAR	606,049	49,198	6,147	661,394
FUND BALANCES - END OF YEAR	\$ 524,370	\$ 8,356	\$ 22,248	\$ 554,974

See Accompanying Notes to Financial Statements.

VILLAGE OF DIMONDALE

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED FEBRUARY 29, 2004

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS **\$ -106,420**

Amounts reported for governmental activities in the statement of activities are different because:

- Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense

-181,296

Capital Outlay

229,820

48,524

- Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid

341

- Repayments of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)

35,000

- Property tax revenue not collected is deferred in the governmental funds but not in the statement of activities

4,253

- Compensated absences are included in expenditures in the statement of activities but not in the governmental funds

-10,060

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ -28,362

STATEMENT OF NET ASSETS

PROPRIETARY FUND

FEBRUARY 29, 2004

	<u>Sewer Fund</u>
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 40,003
Accounts Receivable	10,581
Prepaid Expenses	<u>11,570</u>
Total Current Assets	<u>62,154</u>
Non-current Assets	
Capital Assets	<u>5,639,737</u>
TOTAL ASSETS	<u>\$ 5,701,891</u>
 LIABILITIES	
Current Liabilities	
Accounts Payable	<u>740</u>
 NET ASSETS	
Invested in Capital Assets, Net of Related Debt	5,639,737
Restricted for Debt Service	---
Unrestricted	<u>61,414</u>
TOTAL NET ASSETS	<u>\$ 5,701,151</u>

VILLAGE OF DIMONDALE

STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS PROPRIETARY FUND

FOR THE YEAR ENDED FEBRUARY 29, 2004

	<u>Sewer Fund</u>
OPERATING REVENUE	
Charges for Services	<u>\$ 213,183</u>
OPERATING EXPENSES	
Salaries	85,739
Employee Benefits	30,621
Office Supplies	2,896
Contractual Services	4,743
Supplies and Chemicals	8,113
Maintenance	22,627
Utilities	37,051
Insurance	10,332
Communication	4,244
Transportation	2,361
Depreciation	242,746
Other	50
Training	862
Professional Fees	<u>375</u>
TOTAL OPERATING EXPENSES	<u>452,760</u>
OPERATING INCOME <LOSS>	-239,577
NON-OPERATING REVENUE	
Interest	<u>514</u>
CHANGE IN NET ASSETS	-239,063
NET ASSETS - BEGINNING	<u>5,940,214</u>
NET ASSETS - ENDING	<u><u>\$ 5,701,151</u></u>

See Accompanying Notes to Financial Statements.

STATEMENT OF CASH FLOWS PROPRIETARY FUND

FOR THE YEAR ENDED FEBRUARY 29, 2004

Sewer Fund

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Customers	\$ 212,417
Cash Payments for Goods and Services	-98,619
Cash Payments to Employees	-85,739
Cash Payments for Employee Benefits	-30,621

NET CASH USED BY OPERATING ACTIVITIES	<u>-2,562</u>
--	----------------------

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	---
--	------------

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>---</u>
---	-------------------

CASH FLOWS FROM INVESTING ACTIVITIES

Receipts of Interest and Dividends	514
Sale of Assets	---
Purchase of Assets	---

NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>514</u>
--	-------------------

NET INCREASE <DECREASE> IN CASH	-2,048
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CASH - BEGINNING OF YEAR	<u>42,051</u>
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CASH - END OF YEAR	<u><u>\$ 40,003</u></u>
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RECONCILIATION OF OPERATING INCOME <LOSS> TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating Income <Loss>	-239,577
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation Expense	242,746
Decrease <Increase> in Accounts Receivable	-766
Decrease <Increase> in Prepaid Expenses	-760
Increase <Decrease> in Accounts Payable	-4,205

NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$ -2,562</u></u>
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VILLAGE OF DIMONDALE

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village conform to United States generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies.

A. REPORTING ENTITY:

The Village of Dimondale is a general law village located in Eaton County, Michigan. The Village operates under an elected council consisting of seven members and provides various services to its more than 1,342 residents.

As defined by Governmental Accounting Standards Board (GASB) No. 14, the financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The primary government has financial accountability if it:

1. appoints a voting majority of the organization's board, and has the ability to impose its will on the organization; or
2. there is a potential for the component unit to provide certain financial benefits to, or impose certain financial burdens on, the primary government.

Based on the above criteria, no additional organizations or entities are included in these financial statements.

B. BASIS OF PRESENTATION

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Government-Wide Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Fund Based Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

GOVERNMENTAL FUNDS

General Fund - The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than Building and Site Funds) that are legally restricted to expenditures for specified purposes. The Special Revenue Funds maintained by the Village are the Major Street Fund and Local Street Fund.

PROPRIETARY FUNDS

Enterprise Funds - Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through use charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

VILLAGE OF DIMONDALE

NOTES TO FINANCIAL STATEMENTS

B. BASIS OF PRESENTATION (CONTINUED)

PROPRIETARY FUNDS (CONTINUED)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

C. BUDGETS AND BUDGETARY ACCOUNTING:

The General Fund and Special Revenue Funds are under formal budgetary control. Budgets are adopted on the modified accrual basis of accounting. Amendments are by action of the Board.

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Village for these budgetary funds were adopted at the functional level.

D. PROPERTY TAXES:

Real and personal property taxes are assessed as of December 31, and attach as an enforceable lien on property as of July 1, of the subsequent year. Taxes are due and payable as of September 14. The County of Eaton prepares the tax bills for the Village of Dimondale, and the Village collects the taxes prior to return to the County. The property tax revenues in the accompanying financial statements were recognized as those levied during the year.

All unpaid taxes become delinquent after September 14, at which time the uncollected real taxes are returned to Eaton County for collection and to be added to the delinquent tax rolls. The County of Eaton purchases delinquent real property taxes of the Village of Dimondale. The County sells tax notes, the proceeds of which are used to pay the Village for the taxes. Such proceeds are usually of the current year in the accompanying financial statements.

The Village is authorized to assess 12.5 mills for general operations. Millage rates levied for 2003 were 10.000 mills for operations. Total taxable value of real and personal property in the Village was \$26,576,000.

The Village is responsible for the collection of delinquent personal property taxes.

E. CASH EQUIVALENTS:

The Village considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

F. FINANCIAL INSTRUMENTS:

The Village does not require collateral to support financial instruments subject to credit risk.

G. SHORT-TERM INTERFUND RECEIVABLES AND PAYABLES:

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

H. FUND EQUITY:

Reservations of fund balance represent these portions of fund equity not appropriate for expenditure or legally segregated for a specific future use.

I. CAPITAL ASSETS:

Capital assets, which include land, buildings, equipment, vehicles, and infrastructure assets (e.g. streets, bridges, drains) are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of 1 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value materially extended asset life are not capitalized.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	15-50 years
Vehicles	5-10 years
Other equipment	5-20 years

VILLAGE OF DIMONDALE

NOTES TO FINANCIAL STATEMENTS

J. LONG-TERM OBLIGATIONS: In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

K. TOTAL COLUMNS ON COMBINED STATEMENTS: Total columns on the Combined Statements are captioned (Memo Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Inter-fund eliminations have not been made in the aggregation of this data.

L. RISK MANAGEMENT: The Village is exposed to various risks of loss to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Village carries commercial insurance. Liabilities in excess of insurance coverage, if any, are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

M. ESTIMATES: The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2 - DEPOSITS WITH FINANCIAL INSTITUTIONS

A. LEGAL OR CONTRACTUAL PROVISIONS FOR DEPOSITS AND INVESTMENTS: The Michigan Political Subdivisions Act No. 20, Public Acts of 1943, as amended by Act No. 217, Public Acts of 1982, states the Village, by resolution, may authorize investment of surplus funds as follows:

1. In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
2. In certificates of deposit, savings accounts, or depository receipts of a bank, which is a member of the Federal Deposit Insurance Corporation; or a savings and loan association, which a member of the Federal Savings and Loan Insurance Corporation; or a credit union, which is insured by the National Credit Union Association; but only if the bank, savings and loan association, or credit union complies with Subsection (2).

3. In commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and which matures not more than 270 days after the date of purchase. Not more than 50% of any fund may be invested in commercial paper at any time.
4. In United States government or Federal agency obligation repurchase agreements.
5. In bankers' acceptances of United States banks.
6. In mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Village is in compliance with State law regarding their cash deposits.

The Village maintains all of its cash deposits at three banks.

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Village's cash deposits are as follows:

Deposits	Book Value	Carrying Amounts
Insured (FDIC)	\$ 300,000	\$ 300,000
Uninsured & Uncollateralized	267,769	272,430
Total Deposits	<u>\$ 567,769</u>	<u>\$ 572,430</u>

The differences between the book value and the bank carrying amounts are caused by deposits in transit and outstanding checks.

NOTE 3 - ACCUMULATED FUND DEFICITS

There were no accumulated fund deficits at February 29, 2004.

NOTE 4 - DUE FROM OTHER GOVERNMENTAL UNITS

The Due from Other Governmental Units at February 29, 2004, is comprised of the following:

Major Street Fund

State of Michigan - Act 51	\$ 6,716
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Local Street Fund

State of Michigan - Act 51	<u>2,294</u>
	<u>\$ 9,010</u>

VILLAGE OF DIMONDALE

NOTES TO FINANCIAL STATEMENTS

NOTE 5 - DUE TO/FROM OTHER FUNDS

Due to/due from at February 29, 2004, consisted of the following:

Due To:		Due From:	
General Fund	\$ 1,272	Major Street	\$ 1,272
General Fund	<u>582</u>	Local Street	<u>582</u>
	<u>\$ 1,854</u>		<u>\$ 1,854</u>

NOTE 6 - CAPITAL ASSETS

Capital asset activity of the Village's Governmental activities was as follows:

	Balance March 1, 2003	Additions	Disposals and Adjustments	Balance February 29, 2004
Assets not being depreciated:				
Land	\$ 191,000	\$ ---	\$ ---	\$ 191,000
Capital assets being depreciated:				
Building and building improvements	99,635	---	---	99,635
Vehicles	154,048	13,282	---	167,330
Furniture and equipment	48,546	---	---	48,546
Infrastructure	<u>3,472,501</u>	<u>220,738</u>		<u>3,693,239</u>
Subtotal	<u>3,774,730</u>	<u>234,020</u>	---	<u>4,008,750</u>
Accumulated depreciation:				
Building and building improvements	39,803	4,433	---	44,236
Vehicles	72,531	11,243	---	83,774
Furniture and equipment	23,428	3,674	---	27,102
Infrastructure	<u>1,284,030</u>	<u>161,946</u>		<u>1,445,976</u>
Subtotal	<u>1,419,792</u>	<u>181,296</u>	---	<u>1,601,088</u>
Net capital assets being depreciated	<u>2,354,938</u>	<u>52,724</u>	---	<u>2,407,662</u>
Net capital assets	<u>\$ 2,545,938</u>	<u>\$ 52,724</u>	<u>\$ ---</u>	<u>\$ 2,598,662</u>

Depreciation expense was not charged to activities as the Village considers its assets to impact multiple activities and allocation is not practical.

Capital asset activity of the Village's Business-type activities was as follows:

	Balance March 1, 2003	Additions	Disposals and Adjustments	Balance February 29, 2004
Assets not being depreciated:				
Land	\$ 54,544	\$ ---	\$ ---	\$ 54,544
Capital assets being depreciated:				
Building and building improvements	476,580	---	---	476,580
Sewer System	7,199,882	---	---	7,199,882
Equipment	172,310	---	---	172,310
Subtotal	7,848,772	---	---	7,848,772
Accumulated depreciation:				
Building and building improvements	365,566	11,656	---	377,222
Sewer System	1,549,124	217,375	---	1,766,499
Equipment	106,593	13,265	---	119,858
Subtotal	2,021,283	242,296	---	2,263,579
Net capital assets being depreciated	5,827,489	-242,296	---	5,585,193
Net capital assets	\$ 5,882,033	\$ -242,296	\$ ---	\$ 5,639,737

NOTE 7 - RETIREMENT SYSTEM - MERS OPERATED

The Village contributes to an agent multiple-employer defined benefit pension plan covering substantially all its full-time employees. The plan is operated through the State of Michigan Municipal Employees Retirement System (MERS). The most recent period for which actuarial data is available was for the calendar year ended December 31, 2002. The Village makes monthly contributions to the plan equal to the amount accrued for pension expense. The total pension expense for the fiscal year ended February 29, 2004, was \$ 15,887, which includes amortization of past service costs over 30 years.

The Village's total current year payroll was \$226,957 for the employees participating in the plan. The Village's total payroll for all employees was \$246,077.

The MERS is regulated under Act No. 427 of the Public Acts of 1984, MCL 38.1501 et seq. as last amended by 1996 PA 220.

Members do not contribute any annual compensation

Benefits vest with ten years of service, with rights to a deferred benefit commencing with twenty-five years of service, or at an actuarially reduced amount at age 50 or 55.

VILLAGE OF DIMONDALE

NOTES TO FINANCIAL STATEMENTS

NOTE 7 - RETIREMENT SYSTEM - MERS OPERATED (CONTINUED)

This pension plan provides the following provisions: Normal Retirement, Deferred Retirement, Service Retirement Allowance, Disability Retirement Allowance, Non-Duty Death Allowance, Duty Connected Death, and Post Retirement Adjustments.

Normal Retirement

Required vesting is ten years under the Village's MERS Plan. A member may retire after reaching the age of 60 with ten or more years of service, age 55 with 15 or more years of credited service (reduced benefit unless Benefit F55 is in effect), or upon reaching 50 with 25 or more years of credited service (reduced benefit unless Benefit F50 is in effect).

Deferred Retirement

A member qualifies for deferred retirement upon termination of membership before age 60, other than by retirement or death, after ten years of credited service. Retirement allowance begins upon application and satisfaction of the requirements of Section 10. The deferred retirement allowance is computed in the same manner as a service retirement allowance, based on the benefit program in effect as of the date of termination of membership.

Service Retirement Allowance

Credited service at time of termination of membership multiplied by:

Benefit B-2 – 2% times FAC.

Under the Village Plan, FAC-5 (Final Average Compensation over five years or the sixty highest cumulative months) is used. The retirement allowance actuarially is reduced 1/2 of 1 percent for each complete month that retirement precedes the age at which full normal retirement benefits are available.

Disability Retirement Allowance

Total and permanent disability while employed by a participating municipality and after acquiring ten or more years of credited service time. The service requirement is waived if the disability is from service connected causes.

The allowance is computed in the same manner as a service retirement allowance except that the actuarial reduction for retirement before age 60 is not applied.

If disability is from service connected causes, the amount of retirement allowance shall be computed as if the member had acquired exactly ten years of credited service if the actually acquired credited service is less than ten years.

Non-Duty Connected Death

If a member or vested former member with ten or more years of service dies before retirement, a monthly survivor allowance may be payable.

A named contingent survivor beneficiary (if any) will receive a retirement allowance computed in the same manner as a service retirement allowance, but reduced to reflect an Option II (100% joint and survivor) election. The reduction for retirement before age 60 is not applied.

If there is no named beneficiary and the member leaves a spouse, the spouse will receive a survivor allowance. Payment of a retirement allowance to the surviving spouse of a deceased member commences immediately. Payment of a retirement allowance to the surviving spouse of a deceased vested former member shall not commence prior to the date the member would have first satisfied a Section 10 age and service requirement for an unreduced service retirement allowance (age 60 under the Village Plan).

The amount of a surviving spouse's retirement allowance shall be 85 percent of the deceased member's or deceased vested former member's accrued retirement allowance computed in the same manner as a service retirement allowance, based on service and final average compensation at time of death.

If there is no named beneficiary and no retirement allowance being paid to a surviving spouse, unmarried children under age 21 will be paid an equal share of 50 percent of the deceased member's or a deceased vested former member's accrued retirement allowance. The reduction for retirement before age 60 is not applied.

Duty-Connected Death

A duty death allowance computed in the same manner in all respects as a non-duty death allowance may be payable to a spouse or children if death occurs as the result of performance of duty with a participating municipality. The credited service requirement specified in Section 26 shall be waived. Minimum benefit is 25 percent of the deceased member's final average compensation.

If no retirement allowance becomes payable at death, the member's accumulated contributions (if any) are paid to his or her beneficiary.

The Village makes annual contributions based on the annual actuarial valuations.

Funding Status and Progress

The amount shown below as the "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to (1) help users assess the plan's funding status on a going-concern basis, (2) assess progress being made in accumulating sufficient assets to pay benefits when due, and (3) make comparisons among public employee retirement plans. The measure is independent of the actuarial funding method used to determine contributions to the plan.

VILLAGE OF DIMONDALE

NOTES TO FINANCIAL STATEMENTS

NOTE 7 - RETIREMENT SYSTEM - MERS OPERATED (CONTINUED)

Funding Status and Progress (Continued)

The pension benefit obligation was determined as part of an actuarial valuation of the plan as of December 31, 2002. Significant actuarial assumptions used in determining the pension benefit obligation include (a) a rate of return on the investment of present and future assets of 8% per year compounded annually, (b) projected salary increases of 4.5% per year compounded annually, attributed to inflation, (c) additional projected salary increases ranging from 0% to 4.2% per year, depending on age, attributable to seniority/merit, and (d) the assumption that benefits will not increase after retirement.

At December 31, 2002, the unfunded accrued liabilities were \$99,748 determined as follows:

PENSION BENEFIT OBLIGATION

Retirees and Beneficiaries Currently Receiving Benefits	\$ 98,567
Terminated Employees Not Yet Receiving Benefits	---
Current Employees- Accumulated employee contributions including allocated investment income	---
Employer Financed	<u>300,721</u>
TOTAL PENSION BENEFIT OBLIGATION	\$ 399,288
Net Assets Available for Benefits at actuarial value (Market value is \$238,022)	<u>299,540</u>
UNFUNDED ACCRUED LIABILITIES (Market value Unfunded Liability is \$161,266)	<u>\$ 99,748</u>

During the year ended December 31, 2002, the plan experienced a net change of \$75,898 in the pension benefit obligation. There were no changes in actuarial assumptions during the year. The change in the pension benefit obligation resulting from benefit changes, if any, has not been computed.

Contributions Required and Contributions Made

The system's funding policy provides for actuarially determined periodic contributions at rates that, for individual employees, increase gradually over time so that sufficient assets will be available to pay benefits when due. The contribution rate for normal cost is determined using the credited projected benefits actuarial funding method with proration based on service.

The system uses the level percentage of payroll method to amortize any unfunded liability over a period of 30 years.

Required Supplementary Information: Analysis of Funding Progress

Valuation Date December 31,	Accrued Liabilities	Valuation Assets	Funded Percent	Unfunded Actuarial Liability	UAL as Percent of Annual Payroll
1988	\$ 53,020	\$ 96,029	181%	\$ -43,009	---%
1989	54,153	110,189	203	-56,036	---
1990	56,907	122,170	215	-65,263	---
1991	60,117	139,668	232	-79,551	---
1992	62,079	157,418	254	-95,339	---
1993	77,271	174,261	226	-96,989	---
1994	81,572	184,211	226	-102,638	---
1995	86,706	195,025	225	-108,318	---
1996	93,291	208,211	223	-114,919	---
1997	134,401	223,202	166	-88,800	---
1998	201,676	239,080	119	-37,404	---
1999	230,195	265,101	115	-34,905	---
2000	274,000	281,468	103	-7,467	---
2001	314,645	290,795	92	23,850	12
2002	399,288	299,540	75	99,748	46

Notes: Actuarial assumptions were revised for 1993 and 1997 and 2000 actuarial valuations. The funding method was changed to entry age normal for the 1993 valuation.

Analysis of the dollar amounts of net assets available for benefits, pension benefit obligation, and unfunded pension benefit obligation in isolation can be misleading. Expressing the net assets available for benefits as a percentage of the pension benefit obligation provides one indication of the plan's funded status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan. The unfunded pension benefit obligation and annual covered payroll are both affected by inflation. Expressing the unfunded pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the progress being made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the plan.

NOTE 8 - JOINT VENTURE

In October 1995, the Village entered into an agreement with the Township of Windsor to create a wastewater treatment plant to serve the residents of the Village and the Township. The existing Village sewer plant was renovated and improved to accommodate the additional users.

VILLAGE OF DIMONDALE

NOTES TO FINANCIAL STATEMENTS

NOTE 8 - JOINT VENTURE (CONTINUED)

The Village issued bonds totaling \$300,000 (see Note 9) to cover its share of the improvements. The Township issued bonds totaling \$6,646,000 for its portion. It was the intent of the Village and Township to create a separate entity to administer the sewer plant when construction was completed. This entity began March 1, 1997, and is a component unit of the Village.

NOTE 9 - BONDS PAYABLE

In 1995, the Village issued bonds totaling \$300,000 for the expansion of the sewer plant. Interest rates varied from 4.8% to 5.4% over the life of the bonds. On November 14, 2001, the Village paid \$176,903 to perform a defeasance on the bonds due after May 1, 2003. The final payment for these bonds was paid on May 1, 2003.

In 2000, the Village issued bonds for street improvements. Interest rates vary from 5.25% to 6.40% over the life of the bonds. Payments are due as follows:

DATE	PRINCIPAL	INTEREST RATE	INTEREST	PERIOD TOTAL
4/1/04	15,000.00	5.55	8,401.25	23,401.25
10/1/04	---	5.65	7,985.00	7,985.00
4/1/05	15,000.00	5.65	7,985.00	22,985.00
10/1/05	---	5.70	7,561.25	7,561.25
4/1/06	20,000.00	5.70	7,561.25	27,561.25
10/1/06	---	5.75	6,991.25	6,991.25
4/1/07	20,000.00	5.75	6,991.25	26,991.25
10/1/07	---	5.80	6,416.25	6,416.25
4/1/08	20,000.00	5.80	6,416.25	26,416.25
10/1/08	---	5.85	5,836.25	5,836.25
4/1/09	20,000.00	5.85	5,836.25	25,836.25
10/1/09	---	5.95	5,251.25	5,251.25
4/1/10	25,000.00	5.95	5,251.25	30,251.25
10/1/10	---	6.00	4,507.50	4,507.50
4/1/11	25,000.00	6.00	4,507.50	29,507.50
10/1/11	---	6.10	3,757.50	3,757.50
4/1/12	25,000.00	6.10	3,757.50	28,757.50
10/1/12	---	6.20	2,995.00	2,995.00
4/1/13	30,000.00	6.20	2,995.00	32,995.00
10/1/13	---	6.30	2,065.00	2,065.00
4/1/14	30,000.00	6.30	2,065.00	32,065.00
10/1/14	---	6.40	1,120.00	1,120.00
4/1/15	35,000.00	6.40	1,120.00	36,120.00
	<u>\$ 280,000.00</u>		<u>\$ 117,373.75</u>	<u>\$ 397,373.75</u>

NOTE 10 - BUDGETARY ACCOUNTING

During the year ended February 29, 2004, the Village incurred expenditures that were in excess of the amounts appropriated in the following:

	<u>Budget</u>	<u>Actual</u>	<u>Excess</u>
GENERAL FUND			
Public Works	\$ 122,800	\$ 123,689	\$ 889

NOTE 11 - FUND BALANCE

Components of Fund Balance at February 29, 2004, are as follows:

A) \$3,451 of fund balance in the General Fund is designated. This amount represents money collected for future improvements on the Cherry Street Drain.

NOTE 12 - SEGMENT INFORMATION FOR ENTERPRISE FUND

The Village maintains one Enterprise Fund providing sewer services. Segment information for the year ended February 29, 2004, is as follows:

Operating Revenues	\$ 213,183
Operating Expenses Before Depreciation	210,014
Depreciation	242,296
Operating Income <Loss>	-239,127
Net Earnings <Loss>	-238,613
Total Assets	5,701,891
Long-Term Debt--Payable From Operating Revenue	---
Total Net Assets	\$ 5,701,151

NOTE 13 - RISK MANAGEMENT AND LITIGATION

The Village is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the past several years the Village has obtained coverage from commercial insurance companies and has effectively managed risk through various employee education and prevention programs. All risk management activities are accounted for in the General Fund. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. At February 29, 2004, no claims exist, and no provision has been entered into the accounting records.

REQUIRED SUPPLEMENTAL INFORMATION

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

YEAR ENDED FEBRUARY 29, 2004

	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	
REVENUES				
Property Taxes	\$ 251,000	\$ 251,000	\$ 262,043	\$ 11,043
State Grants	124,000	124,000	114,577	-9,423
Charges for Services	53,000	31,000	39,390	8,390
Interest	12,000	12,000	13,594	1,594
Other	13,000	16,500	21,292	4,792
Transfers In	---	---	---	---
TOTAL REVENUES	453,000	434,500	450,896	16,396
EXPENDITURES				
General Government	216,550	216,550	196,407	20,143
Public Safety	15,050	15,050	5,638	9,412
Public Works	122,800	122,800	123,689	-889
Recreation and Culture	6,500	6,500	5,859	641
Debt Service	53,000	53,000	52,700	300
Capital Outlay	15,000	20,000	13,282	6,718
Other Uses - Operating Transfers Out	70,000	135,000	135,000	---
TOTAL EXPENDITURES	498,900	568,900	532,575	36,325
EXCESS OF REVENUES OVER <UNDER> EXPENDITURES AND OTHER USES	-45,900	-134,400	-81,679	52,721
BUDGETARY FUND BALANCE - MARCH 1, 2003	606,049	606,049	606,049	---
BUDGETARY FUND BALANCE - FEBRUARY 29, 2004	\$ 560,149	\$ 471,649	\$ 524,370	\$ 52,721

VILLAGE OF DIMONDALE

BUDGETARY COMPARISON SCHEDULE - MAJOR STREETS

YEAR ENDED FEBRUARY 29, 2004

	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	
REVENUES				
Property Taxes	\$ ---	\$ ---	\$ ---	\$ ---
State Grants	62,000	62,000	64,704	2,704
Charges for Services	1,000	1,000	1,240	240
Interest	200	200	382	182
Other	---	---	---	---
Transfers In	70,000	135,000	135,000	---
TOTAL REVENUES	133,200	198,200	201,326	3,126
EXPENDITURES				
General Government	---	---	---	---
Public Safety	---	---	---	---
Public Works	44,525	34,525	20,231	14,294
Recreation and Culture	---	---	---	---
Debt Service	---	---	---	---
Capital Outlay	150,000	225,000	221,937	3,063
Other Uses - Operating Transfers Out	---	---	---	---
TOTAL EXPENDITURES	194,525	259,525	242,168	17,357
EXCESS OF REVENUES OVER <UNDER> EXPENDITURES AND OTHER USES	-61,325	-61,325	-40,842	20,483
BUDGETARY FUND BALANCE - MARCH 1, 2003	49,198	49,198	49,198	---
BUDGETARY FUND BALANCE - FEBRUARY 29, 2004	\$ -12,127	\$ -12,127	\$ 8,356	\$ 20,483

BUDGETARY COMPARISON SCHEDULE - LOCAL STREETS

YEAR ENDED FEBRUARY 29, 2004

	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	
REVENUES				
Property Taxes	\$ ---	\$ ---	\$ ---	\$ ---
State Grants	20,500	20,500	22,324	1,824
Charges for Services	---	---	---	---
Interest	200	200	87	-113
Other	---	---	---	---
Transfers In	---	---	---	---
TOTAL REVENUES	20,700	20,700	22,411	1,711
EXPENDITURES				
General Government	---	---	---	---
Public Safety	---	---	---	---
Public Works	29,720	29,720	6,310	23,410
Recreation and Culture	---	---	---	---
Debt Service	---	---	---	---
Capital Outlay	---	---	---	---
Other Uses - Operating Transfers Out	---	---	---	---
TOTAL EXPENDITURES	29,720	29,720	6,310	23,410
EXCESS OF REVENUES OVER <UNDER> EXPENDITURES AND OTHER USES	-9,020	-9,020	16,101	25,121
BUDGETARY FUND BALANCE - MARCH 1, 2003	6,147	6,147	6,147	---
BUDGETARY FUND BALANCE - FEBRUARY 29, 2004	\$ -2,873	\$ -2,873	\$ 22,248	\$ 25,121

OTHER SUPPLEMENTAL INFORMATION

GENERAL FUND

VILLAGE OF DIMONDALE

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL - GENERAL FUND

FOR THE YEAR ENDED FEBRUARY 29, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable <Unfavorable></u>
REVENUE			
Taxes	\$ 251,000	\$ 262,043	\$ 11,043
State Shared Revenue	124,000	114,577	-9,423
Reimbursements	2,500	4,518	2,018
Charges for Service	---	4,890	4,890
Interest	12,000	13,594	1,594
Rentals	4,500	5,119	619
CATV Franchise	6,000	6,782	782
Payroll Administration	3,000	3,000	---
Tap Fee	28,000	31,500	3,500
Miscellaneous	3,500	4,873	1,373
TOTAL REVENUE	434,500	450,896	16,396
EXPENDITURES			
GENERAL GOVERNMENT			
Village Council	14,000	10,557	3,443
Village President	4,500	4,515	-15
Elections	1,500	1,376	124
Attorney	5,000	5,249	-249
Clerk's Office	83,750	74,988	8,762
Auditor	1,000	930	70
Treasurer	500	179	321
Village Hall and Grounds	5,500	4,427	1,073
Christmas Decorations	250	232	18
Engineers	5,000	500	4,500
Rubbish Collection	38,600	40,235	-1,635
Employee Benefits	51,950	47,502	4,448
Insurance	5,000	5,717	-717
	<u>\$ 216,550</u>	<u>\$ 196,407</u>	<u>\$ 20,143</u>

	Budget	Actual	Variance Favorable <Unfavorable>
EXPENDITURES (CONTINUED)			
PUBLIC SAFETY			
Code Enforcement	\$ 2,700	\$ 2,448	\$ 252
Emergency Disaster	5,000	---	5,000
Fire Chief	350	350	---
Planning Commission	7,000	2,840	4,160
	<u>15,050</u>	<u>5,638</u>	<u>9,412</u>
PUBLIC WORKS			
Public Works	115,300	117,712	-2,412
Sidewalks	2,500	1,507	993
Trees	5,000	4,470	530
	<u>122,800</u>	<u>123,689</u>	<u>-889</u>
RECREATION AND CULTURAL			
Parks and Recreation	6,500	5,859	641
DEBT SERVICE	<u>53,000</u>	<u>52,700</u>	<u>300</u>
CAPITAL OUTLAY	<u>20,000</u>	<u>13,282</u>	<u>6,718</u>
TOTAL EXPENDITURES	<u>433,900</u>	<u>397,575</u>	<u>36,325</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>600</u>	<u>53,321</u>	<u>52,721</u>
OTHER FINANCING SOURCES <USES>			
Operating Transfers In	---	---	---
Operating Transfers <Out>	-135,000	-135,000	---
EXCESS OF REVENUE AND OTHER SOURCES OVER <UNDER> EXPENDITURES AND OTHER USES	<u>-134,400</u>	<u>-81,679</u>	<u>52,721</u>
FUND BALANCE - March 1, 2003	<u>606,049</u>	<u>606,049</u>	<u>---</u>
FUND BALANCE - February 29, 2004	<u>\$ 471,649</u>	<u>\$ 524,370</u>	<u>\$ 52,721</u>

VILLAGE OF DIMONDALE

SPECIAL REVENUE FUNDS

**COMBINING BALANCE SHEET
ALL SPECIAL REVENUE FUNDS**

FEBRUARY 29, 2004

	Major Street	Local Street	Totals
ASSETS			
Cash	\$ 2,912	\$ 20,536	\$ 23,448
Accounts Receivable	---	---	---
Prepaid Expenses	---	---	---
Due from State	6,716	2,294	9,010
Due from General Fund	---	---	---
TOTAL ASSETS	\$ 9,628	\$ 22,830	\$ 32,458
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts Payable	\$ ---	\$ ---	\$ ---
Due to other Funds	1,272	582	1,854
TOTAL LIABILITIES	1,272	582	1,854
FUND EQUITY			
Fund Balance - Unreserved	8,356	22,248	30,604
TOTAL LIABILITIES AND FUND EQUITY	\$ 9,628	\$ 22,830	\$ 32,458

VILLAGE OF DIMONDALE

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES ALL SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED FEBRUARY 29, 2004

	Major Street	Local Street	Totals
REVENUE			
Grants	\$ 64,704	\$ 22,324	\$ 87,028
Miscellaneous Services	1,240	---	1,240
Interest	382	87	469
TOTAL REVENUE	66,326	22,411	88,737
EXPENDITURES			
Public Works	20,231	6,310	26,541
Capital Outlay	221,937	---	221,937
TOTAL EXPENDITURES	242,168	6,310	248,478
EXCESS OF REVENUE OVER <UNDER> EXPENDITURES	-175,842	16,101	-159,741
OTHER FINANCING SOURCES <USES>			
Operating Transfers In	135,000	---	135,000
Operating Transfers <Out>	---	---	---
EXCESS OF REVENUE AND OTHER SOURCES OVER <UNDER> EXPENDITURES AND OTHER USES	-40,842	16,101	-24,741
FUND BALANCE - March 1, 2003	49,198	6,147	55,345
FUND BALANCE - February 29, 2004	\$ 8,356	\$ 22,248	\$ 30,604

**STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - MAJOR STREET FUND**

FOR THE YEAR ENDED FEBRUARY 29, 2004

	Budget	Actual	Variance Favorable <Unfavorable>
REVENUE			
State Grants	\$ 62,000	\$ 64,704	\$ 2,704
Interest	200	382	182
Miscellaneous Services	1,000	1,240	240
TOTAL REVENUE	63,200	66,326	3,126
EXPENDITURES			
PUBLIC WORKS			
Routine Maintenance	18,490	9,661	8,829
Traffic Services	1,950	732	1,218
Non-motorized	500	241	259
Winter Maintenance	11,585	6,881	4,704
Administration	2,000	2,716	-716
Capital Outlay	225,000	221,937	3,063
TOTAL EXPENDITURES	259,525	242,168	17,357
EXCESS OF REVENUE OVER <UNDER> EXPENDITURES	-196,325	-175,842	20,483
OTHER FINANCING SOURCES <USES>			
Operating Transfers In	135,000	135,000	---
Operating Transfers <Out>	---	---	---
EXCESS OF REVENUE AND OTHER SOURCES OVER <UNDER> EXPENDITURES AND OTHER USES	-61,325	-40,842	20,483
FUND BALANCE - March 1, 2003	49,198	49,198	---
FUND BALANCE - February 29, 2004	\$ -12,127	\$ 8,356	\$ 20,483

VILLAGE OF DIMONDALE

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL - LOCAL STREET FUND

FOR THE YEAR ENDED FEBRUARY 29, 2004

	Budget	Actual	Variance Favorable <Unfavorable>
REVENUE			
State Grants	\$ 20,500	\$ 22,324	\$ 1,824
Interest	200	87	-113
Miscellaneous Revenue	---	---	---
TOTAL REVENUE	20,700	22,411	1,711
EXPENDITURES			
PUBLIC WORKS			
Routine Maintenance	20,885	927	19,958
Traffic Services	500	306	194
Non-motorized	500	368	132
Winter Maintenance	4,835	4,463	372
Administration	1,000	246	754
Capital Outlay	2,000	---	2,000
TOTAL EXPENDITURES	29,720	6,310	23,410
EXCESS OF REVENUES OVER <UNDER> EXPENDITURES	-9,020	16,101	25,121
OTHER FINANCING SOURCES <USES>			
Operating Transfers In	---	---	---
EXCESS OF REVENUES AND OTHER SOURCES OVER <UNDER> EXPENDITURES AND OTHER USES	-9,020	16,101	25,121
FUND BALANCE - March 1, 2003	6,147	6,147	---
FUND BALANCE - February 29, 2004	\$ -2,873	\$ 22,248	\$ 25,121

Karl L. Drake, P.C.
Certified Public Accountant

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Horton, Michigan 49246

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Village Council
Village of Dimondale

We have audited the general purpose financial statements of the Village of Dimondale as of and for the year ended March 31, 2004, and have issued our report thereon dated April 21, 2004. We conducted our audit in accordance with United States generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village of Dimondale's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Dimondale's control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Village of Dimondale in a separate letter dated April 21, 2004.

This report is intended for the information of Village Council, management and the State of Michigan. However, this report is a matter of public record and its distribution is not limited.



Karl L. Drake, P.C.
Certified Public Accountant

April 21, 2004

Karl L. Drake, P.C.
Certified Public Accountant

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April 21, 2004

To the Village Council
Dimondale, Michigan

I have recently completed the audit of the books and records of the Village of Dimondale for the year ended February 28, 2004, and would like to take this opportunity to make the following comments and recommendations.

GASB 34

The Government Accounting Standards Board (GASB) has previously issued Statement 34, which dramatically alters the recording and reporting requirements of all governmental entities. This audit (February 28, 2004) reflects the changes required by that regulation. Some of the more prominent changes involve the following:

- Government wide financial statements
- Fixed assets and long-term debt included in the government-wide financial statements
- Depreciation on general government fixed assets reflected in the government-wide financial statements
- Accrued interest on long-term debt reflected in the government-wide financial statements
- The format of the report is also dramatically altered.

Financial Overview

The fund balance in the General Fund decreased by \$81,679 this year. During the year, \$135,000 was transferred from the General Fund into the street funds, causing the General Fund to end the year below the starting balance. The remaining fund balance in the General Fund is \$524,370. A portion of this fund balance (\$130,284) is in the construction account.

The fund balance in the Major Street Fund decreased by \$40,842. A major project was completed in this year which totally depleted the balance in the major street fund account in addition to \$135,000 which was transferred from the General Fund. The ending fund balance in the Major Street Fund is \$8,356.

The fund balance in the Local Street Fund increased by \$16,101. The ending fund balance in the Local Street Fund is \$22,248.

The Sewer Fund retained earnings decreased by \$238,613. This decrease is all caused by depreciation expense on the fixed assets of \$242,296. Revenues were \$13,000 higher than last year, due to additional users being on the system. The expenses increased by approximately \$18,000. The actual cash in the bank decreased by just over \$2,000.

Accounting Records

Denise Parisian and Betsy Kelly are doing an excellent job of maintaining your books and records. The audit required a minimal amount of adjusting entries, and both were very helpful in answering my questions and tracking down information that I requested.

Thank you for the opportunity to work with the Village of Dimondale. If there are any questions regarding any aspect of the audit, please contact me.

Sincerely,

A handwritten signature in cursive script that reads "Karl L. Drake".

Karl L. Drake, CPA